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SUBJECT: GLACIAL COALITION TALKS SHOWING SIGNS OF
MOVEMENT?

SUMMARY

1. (SBU) President Tadic's Democratic Party (DS) and Prime Minister Kostunica's Democratic Party of Serbia (DSS) began formal talks on assembling a working coalition government March 2, but so far they remain deadlocked over which party should hold the PM position. DS and DSS officials mostly toe the party line on retaining the PM position both in private and publicly, but their positions are more nuanced behind the scenes, suggesting the increasing likelihood of a compromise as both parties seek to avoid new elections. The two parties have agreed on a set of five general principles that will underlie a future coalition government. End Summary.

CLOCK TICKING ON GOVERNMENT FORMATION

2. (SBU) According to the new Serbian constitution, Belgrade has 90 days from the constitutive session of parliament -- held on February 14 -- to form a government. If Serbian leaders are unable to do so, parliament will dissolve, and the country must hold new elections by July 14. In the meantime, Belgrade faces another deadline -- March 31 -- to approve a budget; otherwise temporary financing theoretically should expire. G17 Plus chairman Mladjan Dinkic has publicly declared that his party would not support the renewal of temporary financing past 31 March unless serious government negotiations were underway at that time.

PARTIES DAWDLE ON GOVERNMENT TALKS

3. (SBU) DS and DSS leaders have repeatedly reassured the public that they will be able to form a government, although both sides have stated publicly and privately that the prospects for compromise on the PM position are bleak. DS and DSS representatives began formal talks March 2 that succeeded in reaching agreement on coordinated policies on Kosovo, European integration, and cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). A DSS party leader told us February 28 that, while general red lines on Kosovo have been agreed upon, there is still much work to be done on harmonizing Serbia's policy and reactions toward a possible status decision they would oppose. This official added that the delegations would soon begin to formally duke it out on the PM position as well, expressing confidence that a deal could be struck before March 31 that would leave Kostunica in the PM's chair.

DS STRATEGY: HOLD THE LINE, HOPE FOR A MIRACLE

4. (SBU) DS officials maintain, even in private, that they

still intend to put Djelic forward as PM. One senior DS parliamentarian told us recently that the DS leadership is unwilling to entertain any possibility of forming a government with Kostunica at the helm; either Djelic will be PM or there will be new elections. These officials, though, talk about the way things "should" be, and are reluctant to speculate on the way things might turn out. Tadic's personal advisors are less categorical, but complain about the difficulty of negotiating with a Kostunica they perceive as "disengaged" from the status process. One advisor said most of the work on portfolio allocation is either done or can be worked out quickly, the sole real sticking point is the PM's job.

DSS: LACKING CONTINGENCY PLAN

15. (SBU) DSS officials also remain on message for now, reluctant to engage even privately on their coalition red lines. One DSS VP noted, for example, that because G17 Plus and New Serbia supported Kostunica as PM and together outweighed Tadic's support base, Kostunica remaining as PM (somehow) reflected the will of the majority of Serbian democratic voters. Interestingly, at least some DSS officials have acknowledged to us that new elections would be particularly bad for DSS, in part because of expected poor turnout due to voter apathy (which would hurt democratic parties more than the highly-organized Radicals), but also because DS could blame Kostunica for causing the failure of coalition talks, which could depress DSS turnout and energize DS. DSS officials also did not rule out the possibility of a minority DS government supported by DSS, but admitted such an outcome is unlikely to be supported by DS.

POSSIBLE WIGGLE ROOM FOR BOTH PARTIES

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16. (SBU) Although most DS and DSS officials continue to publicly and privately maintain their party lines, press reports indicate that some party leaders are privately more flexible. DS officials continue to contend -- as Tadic has privately stated -- that the "instruments of power" within the government are more important than the PM slot. According to press reports, Djelic himself in informal talks has not ruled out the possibility of Kostunica serving as PM. DSS party whip Milos Aligrudic has publicly stated that the party has alternative plans in case DS refuses to cede the PM post, although he reaffirmed that the PM post is of utmost importance to the party.

COMMENT

17. (SBU) Overall, there seems to be an increasing sense in Belgrade, from officials from both parties, that a coalition deal will be struck, perhaps even as early as the end of March. The agreement on coalition principles over the weekend sends a signal that the parties are serious about the potential of working together -- although it is not yet clear to what extent the DS will be willing to compromise its basic goals to reach agreement with the DSS. Tadic's problem will be explaining to party faithful why Kostunica was allowed to keep his post (still the most likely outcome) when DS won the plurality among coalition partners. Some analysts suggest Tadic is well-served by delay, hoping that personal ambition and impatience in his party leadership will eventually lead them to accept the reality of a Kostunica-led coalition so they can take over long-desired portfolios.

18. (SBU) Kostunica's main problem seems to be that his policy is adrift -- DSS can't get beyond simple rejectionism on Kosovo, and can't get beyond Kosovo into a broader platform of issues on which to lead the country. Many believe Kostunica is simply using the coalition talks as a tool to drag out the Kosovo status process -- DSS

hints that the March 31 government budget deadline could be fudged fuel perceptions that DSS is bent on dragging out talks indefinitely.

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